

**LOUISIANA SOCIETY FOR THE
PREVENTION OF CRUELTY TO ANIMALS**

**CONSOLIDATED FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2013 AND 2012**

Louisiana Society for the Prevention of Cruelty to Animals

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**To the Board of Directors
Louisiana Society for the Prevention of Cruelty to Animals
New Orleans, Louisiana**

We have audited the accompanying consolidated financial statements of Louisiana Society for the Prevention of Cruelty to Animals, LA/SPCA Holding, LLC, and Louisiana SPCA Foundation, Inc. (collectively "LASPCA"), which comprise the consolidated statements of financial position as of December 31, 2013 and 2012, and the related consolidated statements of activities, statements of functional expense, and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Governmental Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of the LASPCA as of December 31, 2013 and 2012, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Other Information

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying schedule of expenditures of federal awards, as required by Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated April 4, 2014, on our consideration of the LASPCA's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the LASPCA's internal control over financial reporting and compliance.

Can, Rigg & Ingram, L.L.C.

Metairie, Louisiana
April 4, 2014

Louisiana Society for the Prevention of Cruelty to Animals
Consolidated Statements of Financial Position
December 31, 2013 and 2012

ASSETS	<u>2013</u>	<u>2012</u>
Current assets:		
Cash and cash equivalents	\$ 3,507,079	\$ 2,369,361
Certificates of deposit, including interest receivable	256,116	516,570
City contract receivable	153,870	325,152
Federal grant receivable	963,390	-
Current unconditional promises to give, net	224,372	154,920
Medical supplies	125,261	76,682
Prepaid expenses	85,896	107,531
	<u>5,315,984</u>	<u>3,550,216</u>
Investments:		
Endowment fund	8,264,916	7,393,748
Other investments	5,433,451	6,360,719
	<u>13,698,367</u>	<u>13,754,467</u>
Property and equipment:		
Land	963,127	1,008,127
Buildings	7,341,586	7,437,809
Equipment	2,347,970	2,097,300
Furniture and fixtures	307,294	307,294
Construction in progress	2,625,236	848,507
	<u>13,585,213</u>	<u>11,699,037</u>
Less accumulated depreciation	<u>(3,529,974)</u>	<u>(3,118,223)</u>
Net property and equipment	<u>10,055,239</u>	<u>8,580,814</u>
Other assets:		
Non-current unconditional promises to give, net	459,114	22,658
Property held for sale	1,140,000	-
Deposits	5,810	7,385
	<u>1,604,924</u>	<u>30,043</u>
Total other assets	<u>1,604,924</u>	<u>30,043</u>
	<u><u>\$ 30,674,514</u></u>	<u><u>\$ 25,915,540</u></u>

See accompanying notes to the financial statements.

Louisiana Society for the Prevention of Cruelty to Animals
Consolidated Statements of Financial Position
December 31, 2013 and 2012
(Continued)

LIABILITIES AND NET ASSETS	<u>2013</u>	<u>2012</u>
Current liabilities:		
Accounts payable	\$ 848,058	\$ 168,073
Accrued salaries and related expenses	<u>360,916</u>	<u>295,007</u>
Total current liabilities	<u>1,208,974</u>	<u>463,080</u>
Net assets:		
Unrestricted	13,725,306	10,081,439
Unrestricted - Board designated	8,264,916	7,393,748
Temporarily restricted	<u>7,475,318</u>	<u>7,977,273</u>
Total net assets	<u>29,465,540</u>	<u>25,452,460</u>
	<u><u>\$ 30,674,514</u></u>	<u><u>\$ 25,915,540</u></u>

See accompanying notes to the financial statements.

Louisiana Society for the Prevention of Cruelty to Animals
Consolidated Statement of Activities
For the Year Ended December 31, 2013

	Unrestricted	Temporarily Restricted	Total
REVENUES AND SUPPORT:			
City contract	\$ 1,846,440	\$ -	\$ 1,846,440
Bequests	1,559,896	-	1,559,896
Federal sources	963,390	-	963,390
Donations and contributions	892,508	1,442,470	2,334,978
Service fees	2,130,030	105,776	2,235,806
Retail	414,259	-	414,259
Investment income	1,235,694	-	1,235,694
	<hr/>	<hr/>	<hr/>
Total Public Support and Other Revenues	9,042,217	1,548,246	10,590,463
	<hr/>	<hr/>	<hr/>
Net Assets Released from Restrictions	2,050,201	(2,050,201)	-
	<hr/>	<hr/>	<hr/>
Total Revenues and Support	11,092,418	(501,955)	10,590,463
	<hr/>	<hr/>	<hr/>
EXPENSES:			
Program services:			
Animal services	3,193,345	-	3,193,345
Clinic	713,834	-	713,834
Spay and neuter	748,195	-	748,195
Other programs	843,620	-	843,620
Supporting services:			
Fundraising	702,784	-	702,784
Management and general	375,605	-	375,605
	<hr/>	<hr/>	<hr/>
Total Expenses	6,577,383	-	6,577,383
	<hr/>	<hr/>	<hr/>
INCREASE (DECREASE) IN NET ASSETS:	4,515,035	(501,955)	4,013,080
	<hr/>	<hr/>	<hr/>
Net Assets, Beginning of Year	17,475,187	7,977,273	25,452,460
	<hr/>	<hr/>	<hr/>
Net Assets, End of Year	<u>\$ 21,990,222</u>	<u>\$ 7,475,318</u>	<u>\$ 29,465,540</u>

See accompanying notes to the financial statements.

Louisiana Society for the Prevention of Cruelty to Animals
Consolidated Statement of Activities
For the Year Ended December 31, 2012

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
REVENUES AND SUPPORT:			
City contract	\$ 1,952,102	\$ -	\$ 1,952,102
Bequests	144,537	-	144,537
Donations and contributions	851,162	971,280	1,822,442
Service fees	2,347,615	-	2,347,615
Retail	373,434	-	373,434
Investment income	1,420,249	-	1,420,249
	<u>7,089,099</u>	<u>971,280</u>	<u>8,060,379</u>
Total Public Support and Other Revenues			
	<u>7,089,099</u>	<u>971,280</u>	<u>8,060,379</u>
Net Assets Released from Restrictions	<u>305,877</u>	<u>(305,877)</u>	<u>-</u>
Total Revenues and Support	<u>7,394,976</u>	<u>665,403</u>	<u>8,060,379</u>
EXPENSES:			
Program services:			
Animal services	2,784,882	-	2,784,882
Clinic	1,012,132	-	1,012,132
Spay and neuter	752,324	-	752,324
Other programs	812,313	-	812,313
Supporting services:			
Fundraising	786,842	-	786,842
Management and general	168,226	-	168,226
	<u>6,316,719</u>	<u>-</u>	<u>6,316,719</u>
Total Expenses			
	<u>6,316,719</u>	<u>-</u>	<u>6,316,719</u>
INCREASE IN NET ASSETS:	1,078,257	665,403	1,743,660
Net Assets, Beginning of Year	<u>16,396,930</u>	<u>7,311,870</u>	<u>23,708,800</u>
Net Assets, End of Year	<u>\$ 17,475,187</u>	<u>\$ 7,977,273</u>	<u>\$ 25,452,460</u>

See accompanying notes to the financial statements.

Louisiana Society for the Prevention of Cruelty to Animals
Consolidated Statements of Cash Flows
Years Ended December 31, 2013 and 2012

	<u>2013</u>	<u>2012</u>
Cash flows from operating activities:		
Change in net assets	\$ 4,013,080	\$ 1,743,660
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	430,754	444,623
Accretion of net discount on unconditional promises to give	28,677	(1,876)
Net realized and unrealized (gain) on investments	(913,111)	(899,226)
Net loss on disposition of property	67,168	-
Bad debt expense	134,874	-
Decrease (increase) in certificates of deposit	260,454	(3,205)
Decrease (increase) in city contract receivable	171,282	(165,152)
(Increase) in federal grant receivable	(963,390)	-
(Increase) decrease in unconditional promises to give	(669,459)	5,204
Decrease in prepaid expenses	21,635	23,565
(Increase) in medical supplies	(48,579)	(18,396)
Decrease (increase) decrease in deposits	1,575	(500)
Increase in accounts payable	679,985	35,492
Increase in accrued salaries and expenses	65,909	44,962
Net cash provided by operating activities	<u>3,280,854</u>	<u>1,209,151</u>
Cash flows from investing activities:		
Purchases of property and equipment	(2,024,779)	(186,233)
Net proceeds from the sale of property	277,432	-
Increase in property held for sale	(1,365,000)	-
Purchases of investments	(111,952)	(2,316,389)
Proceeds from the maturity and sale of investments	1,417,926	2,616,495
Net change in cash and money funds	<u>(336,763)</u>	<u>(453,171)</u>
Net cash used in investing activities	<u>(2,143,136)</u>	<u>(339,298)</u>
Net increase in cash and cash equivalents	1,137,718	869,853
Cash and cash equivalents at beginning of year	<u>2,369,361</u>	<u>1,499,508</u>
Cash and cash equivalents at end of year	<u><u>\$ 3,507,079</u></u>	<u><u>\$ 2,369,361</u></u>
Supplemental disclosure of cash flow information -		
Interest paid	<u><u>\$ 28</u></u>	<u><u>\$ 498</u></u>
Non-cash investing transaction -		
Reclass Japonica St. land to property held for sale	<u><u>\$ 45,000</u></u>	<u><u>\$ -</u></u>

See accompanying notes to the financial statements.

Louisiana Society for the Prevention of Cruelty to Animals
Consolidated Statement of Functional Expenses
Year Ended December 31, 2013

	Program Services				Supporting Services		Totals
	Animal Services	Clinic	Spay and Neuter	Other Programs	Fundraising	Management and General	
Costs and expenses on a functional basis:							
Salaries	\$ 1,481,886	\$ 198,035	\$ 299,392	\$ 355,431	\$ 227,342	\$ 21,390	\$ 2,583,476
Depreciation	308,200	4,255	103,615	7,407	3,644	3,633	430,754
Feed/medical supplies	159,923	72,882	107,422	-	-	-	340,227
Promotional activities/retail	9,453	304,704	3,644	4,926	1,145	1,182	325,054
General insurance	215,102	22,667	40,648	17,024	8,467	16,697	320,605
Hospitalization	186,530	17,279	24,536	27,554	18,435	1,554	275,888
Direct Mail	-	-	-	-	197,597	-	197,597
Vet care	102,020	23,088	64,953	5,347	-	-	195,408
Payroll taxes	111,579	7,884	27,519	25,192	15,203	1,578	188,955
Contract labor	12,816	774	5,890	162,031	428	1,580	183,519
Grants - restricted	-	-	-	152,140	6,651	-	158,791
Bad debt expense	-	-	-	-	-	134,874	134,874
Utilities	117,708	5,299	5,366	1,226	955	888	131,442
Office and cleaning supplies	94,367	10,223	5,361	7,786	4,964	353	123,054
Investment management Fees	-	-	-	-	-	114,753	114,753
Professional services	53,285	16,923	16,130	11,916	5,286	2,476	106,016
New Orleans on Tap	-	-	-	-	73,988	-	73,988
Net loss on disposition of property	-	-	-	-	-	67,168	67,168
Maintenance/repairs equipment	39,637	3,733	8,354	1,053	6,487	50	59,314
Howling Success	-	-	-	-	55,494	-	55,494
Equipment rental	31,788	3,651	5,989	6,480	2,875	2,931	53,714
Computer	15,027	5,763	6,990	14,628	7,802	97	50,307
Telephone	25,017	2,745	3,713	6,225	3,282	338	41,320
Maintenance/repairs buildings	37,682	2	125	19	21	760	38,609
Miscellaneous	18,507	2,446	3,573	5,157	2,522	413	32,618
Dog Walk-A-Thon	-	-	-	-	31,831	-	31,831
Animal care supplies	28,866	1,143	1,179	-	-	-	31,188
Travel and training	14,533	2,756	2,942	5,140	4,478	1,233	31,082
Maintenance/repairs vehicles	30,532	-	-	-	-	-	30,532
Hurricane evacuation	23,335	-	-	-	-	-	23,335
Advertising	22,176	726	1,205	1,289	572	590	26,558
Printing and stationery	12,337	1,235	3,991	1,854	1,372	560	21,349
Retirement plan	10,890	358	2,873	750	1,969	291	17,131
Uniforms	14,162	625	845	256	36	38	15,962
Care Cadets/training/education	-	-	-	13,495	-	-	13,495
Postage	6,044	1,252	820	1,406	1,200	40	10,762
Licenses and permits	5,656	1,507	490	13	6	6	7,678
Planned giving	-	-	-	-	6,772	-	6,772
4 Paws/Pause 4 Dinner	-	-	-	-	6,427	-	6,427
Dues and subscriptions	1,748	1,394	159	288	1,722	80	5,391
Meals and meetings	1,394	485	471	627	82	52	3,111
Rabies tags	-	-	-	2,897	-	-	2,897
CPR	-	-	-	2,362	-	-	2,362
Paws on Parade	-	-	-	-	2,025	-	2,025
Birthday Pawty	-	-	-	-	1,704	-	1,704
Small tools	1,117	-	-	-	-	-	1,117
Foster care	-	-	-	619	-	-	619
Criter Cinema	-	-	-	591	-	-	591
Camp Luv-A-Pet	-	-	-	491	-	-	491
Interest	28	-	-	-	-	-	28
	<u>\$ 3,193,345</u>	<u>\$ 713,834</u>	<u>\$ 748,195</u>	<u>\$ 843,620</u>	<u>\$ 702,784</u>	<u>\$ 375,605</u>	<u>\$ 6,577,383</u>

See accompanying notes to the financial statements.

Louisiana Society for the Prevention of Cruelty to Animals
Consolidated Statement of Functional Expenses
Year Ended December 31, 2012

	Program Services				Supporting Services		Totals
	Animal Services	Clinic	Spay and Neuter	Other Programs	Fundraising	Management and General	
Costs and expenses on a functional basis:							
Salaries	\$ 1,178,506	\$ 515,567	\$ 353,485	\$ 346,538	\$ 164,911	\$ 18,218	\$ 2,577,225
Depreciation	231,204	35,570	57,801	63,136	28,011	28,901	444,623
Feed/medical supplies	177,043	92,728	142,666	-	-	-	412,437
Hospitalization	182,591	19,574	28,789	33,163	16,702	1,590	282,409
Promotional activities/retail	29,218	219,626	225	7,908	1,570	-	258,547
General insurance	177,850	24,269	25,088	17,973	9,841	1,065	256,086
Direct mail	-	-	-	-	221,042	-	221,042
Payroll taxes	110,192	9,055	31,948	22,643	12,052	1,352	187,242
Grants - restricted	14,380	-	-	164,567	-	-	178,947
Vet care	93,730	10,364	32,855	6,298	-	-	143,247
Office and cleaning supplies	113,253	10,962	5,614	6,906	3,707	515	140,957
Utilities	100,850	4,608	4,663	1,300	741	72	112,234
Investment management fee	-	-	-	-	-	111,696	111,696
Miscellaneous	43,761	44,655	9,673	6,194	2,587	2,467	109,337
Paws on Parade	-	-	-	-	108,966	-	108,966
Maintenance/repairs - equipment	46,875	2,262	7,160	10,004	5,790	62	72,153
Howling Success	-	-	-	-	67,016	-	67,016
New Orleans on Tap	-	-	-	-	57,328	-	57,328
Professional services	29,997	3,241	7,815	10,700	3,297	749	55,799
Telephone	28,151	2,075	6,241	7,283	3,347	391	47,488
Bank charges	9,047	10,640	3,771	14,096	8,273	19	45,846
Maintenance/repairs - building	42,805	62	2,748	-	-	-	45,615
Animal care supplies	42,177	-	53	1,875	1,101	-	45,206
Contract labor	14,252	50	-	21,652	-	-	35,954
Dog Walk-a-Thon	-	-	-	-	34,017	-	34,017
Travel and training	13,285	1,847	15,178	2,067	1,036	570	33,983
Spanky	-	-	-	29,907	-	-	29,907
Computer	7,122	2,447	3,503	6,110	3,574	44	22,800
Hurricane evacuation	20,837	-	-	-	-	-	20,837
Advertising	14,801	-	422	2,602	1,528	-	19,353
Retirement plan	10,583	372	3,812	2,687	1,483	302	19,239
Maintenance/repairs - vehicles	19,070	-	-	-	-	-	19,070
Printing and stationery	3,521	358	5,946	1,942	311	20	12,098
Planned giving	-	-	-	-	11,252	-	11,252
Newsletter	-	-	-	-	11,124	-	11,124
Care Cadets/training/education	-	-	-	10,768	-	-	10,768
Postage	5,268	537	1,149	2,122	1,234	39	10,349
Equipment rental	6,811	3	522	5	3	-	7,344
Dues and subscriptions	4,751	991	180	824	455	90	7,291
Uniforms	6,420	29	264	93	54	-	6,860
Licenses and permits	4,355	128	131	248	145	4	5,011
CPR	-	-	-	4,029	-	-	4,029
Meals and meetings	1,544	71	543	821	239	58	3,276
4 Paws	-	-	-	-	3,007	-	3,007
Vets of the Future	-	-	-	2,268	-	-	2,268
Rabies tags	-	-	-	2,355	-	-	2,355
Birthday Pawty	-	-	-	-	1,066	-	1,066
Critter Cinema	-	-	-	536	-	-	536
Interest	300	29	79	56	32	2	498
Foster care	-	-	-	462	-	-	462
Small tools	332	12	-	-	-	-	344
Camp Luv A Pet	-	-	-	175	-	-	175
	<u>\$ 2,784,882</u>	<u>\$ 1,012,132</u>	<u>\$ 752,324</u>	<u>\$ 812,313</u>	<u>\$ 786,842</u>	<u>\$ 168,226</u>	<u>\$ 6,316,719</u>

See accompanying notes to the financial statements.

LOUISIANA SOCIETY FOR THE PREVENTION OF CRUELTY TO ANIMALS
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
December 31, 2013 and 2012

A. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND NATURE OF OPERATIONS

Organization – Louisiana Society for the Prevention of Cruelty to Animals (the “LASPCA”) is chartered in the State of Louisiana as a not-for-profit organization. LASPCA is classified as “not a private foundation” within the meaning of Section 509(a) of the Internal Revenue Code. It is an organization, as described in Section 170(b)(1)(A)(vi) of the Internal Revenue Code, that normally receives a substantial part of its support from direct or indirect contributions from the general public. LASPCA operates an animal shelter, veterinary clinic, rabies program, provides humane education and public relation services to the local community, and provides animal control services for the City of New Orleans.

Basis of presentation – In 2010, LASPCA formed two new entities; both were inactive during that year. Louisiana SPCA Foundation, Inc. (the “Foundation”), was formed as a 509(a)(3) supporting organization and, in 2011, began by transferring a portion of LASPCA’s endowment fund to the Foundation. LASPCA formed a wholly-owned subsidiary, LA/SPCA Holdings, L.L.C. (the “Holdings”), a Louisiana limited liability company with a perpetual term. It was formed with the intention of transferring LASPCA’s real property to Holdings. There was no activity in 2013 or 2012. The consolidated financial statements include the accounts of LASPCA and its subsidiary (Holdings) and the accounts of Foundation (collectively “LASPCA”). All significant intercompany transactions have been eliminated in consolidation.

The financial statement presentation follows the requirements of the Financial Accounting Standards Board’s Accounting Standards Codification (ASC) 958, *Financial Statements of Not-For-Profit Organizations*. Under ASC 958, LASPCA is required to report information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets. There were no permanently restricted net assets at December 31, 2013 or 2012.

Support from both unrestricted and restricted contributions is recognized either on receipt or upon receiving an unconditional pledge or promise to give from a donor. Support from unrestricted contributions is reported as unrestricted support which increases unrestricted net assets. LASPCA reports contributions of cash and other assets as temporarily or permanently restricted support if they are received with donor stipulations that limit the use of the donated assets. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restriction, where all related expenses are also reported. Donor restricted contributions whose restrictions are met in the same reporting period that they are received are reported as unrestricted support.

LASPCA reports contributions of land, buildings, and equipment as unrestricted support unless explicit donor stipulations specify how the assets must be used. Contributions of long-lived assets with explicit restrictions that specify how the assets are to be used and contributions of cash or other assets that must be used to acquire or improve long-lived assets are reported as restricted supports. Absent explicit donor stipulations about how long those long-lived assets must be maintained, LASPCA reports expirations of donor restrictions when the donated or acquired long-lived assets are placed in service.

LOUISIANA SOCIETY FOR THE PREVENTION OF CRUELTY TO ANIMALS
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
December 31, 2013 and 2012

A. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND NATURE OF OPERATIONS (CONTINUED)

Donated services – Donated services are recognized as contributions in accordance with ASC 958 if the services: (a) create or enhance non-financial assets or (b) require specialized skills, are performed by people with those skills, and would otherwise be purchased by LASPCA. The members of the Board of Directors serve without compensation. Volunteers also provide animal care and fund-raising services throughout the year that are not recognized as contributions in the financial statements since recognition criteria under ASC 958 were not met.

Promises to give – Unconditional promises to give are recognized as revenues in the period the pledge is received. The pledges are recorded at the net present value of estimated future cash flows using an appropriate discount rate. Additionally, LASPCA evaluates the collectability of pledges receivable and provides for an allowance when appropriate. Conditional promises to give are recognized as revenues only when the conditions attached to the pledge are substantially met.

Investments – Investments are stated at fair value. There are no donor-restricted investments at December 31, 2013 or 2012. Gains and losses on investments are reported on the statement of activities as increases or decreases in unrestricted net assets. Dividend, interest, and other investment income are reported in the period earned in the statement of activities as increases in unrestricted net assets.

LASPCA continually evaluates investments for impairment. Consideration is given to the financial condition and prospects of the issuer, LASPCA's intent to sell an investment, and the intent and ability to retain its investment in the issuer for a period of time sufficient to allow for any anticipated recovery in fair value. If a need to recognize impairment is identified, an amount representing the difference between the fair value of the affected investment and its carrying amount is included in the change in net assets.

Property and equipment – Buildings are being depreciated over their estimated useful lives of 40 years using the straight-line method of depreciation. Equipment and furniture are depreciated over their estimated useful lives which range from 2 to 7 years using the straight-line method of depreciation. Depreciable assets are valued at cost if purchased or fair value if contributed. It is LASPCA's policy to capitalize assets costing \$1,000 or more.

Compensation for future absences – LASPCA has accrued compensation for future absences. LASPCA's vacation policy is that when proper notice of resignation or termination is given the employee will be paid for accumulated vacation. Sick leave may be carried over to the next year, but LASPCA does not compensate for accumulated sick leave time upon termination of employment.

Income taxes – LASPCA and Foundation are exempt from federal income taxes pursuant to Section 501(c)(3) of the Internal Revenue Code. There was no income tax on unrelated business income accrued in 2013 or 2012. Management believes that all tax positions would be sustained if audited. There were no penalties or interest on income tax positions incurred in 2013 or 2012, but, if incurred, they would be classified in the statement of activities as a management and general expense.

LOUISIANA SOCIETY FOR THE PREVENTION OF CRUELTY TO ANIMALS
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
December 31, 2013 and 2012

A. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND NATURE OF OPERATIONS (CONTINUED)

LASPCA's tax filings for the years ended December 31, 2010 through the current year are open to audit under statute of limitations by the Internal Revenue Service.

Inventory – Inventory is valued at FIFO and consists of medical and retail supplies which are recorded as expenditures when consumed.

Endowment Fund – In 2008, the Financial Accounting Standards Board issued FASB Staff Position No. FAS 117-1 (now ASC 958), *Endowments of Not-for-Profit Organizations: Net Asset Classification of Funds Subject to an Enacted Version of the Uniform Prudent Management of Institutional Funds Act, and Enhanced Disclosures for All Endowment Funds*. ASC 958 provides guidance on the net asset classification of donor-restricted endowment funds for a nonprofit organization that is subject to an enacted version of the Uniform Prudent Management of Institutional Funds Act of 2006 (UPMIFA). It also requires additional disclosures about an organization's endowment funds (both donor-restricted endowment funds and board-designated endowment funds) whether or not the organization is subject to Uniform Prudent Management of Institutional Funds Act (UPMIFA) (see note C). In 2010, the State of Louisiana adopted UPMIFA. LASPCA did not have any donor-restricted endowment funds during 2013 or 2012.

Allocation of expenses – Indirect overhead and administrative expenses are allocated to programs and supporting services by management based on the number of employees in the corresponding departments.

Use of estimates – The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of support and revenues and expenses during the period. Actual results could differ from those estimates.

Significant estimates used in preparing these financial statements are the computation of the allowance for uncollectible promises to give and the fair value of investments. Because of the inherent uncertainties in determining these estimates, it is at least reasonably possible that the estimates used will change within the next year.

Cash and cash equivalents – For purposes of the statement of cash flows, LASPCA considers all highly liquid debt instruments purchased with a maturity of three months or less to be cash equivalents. Cash equivalents do not include cash and money funds that are included with investments.

Advertising costs – Advertising costs are expensed in the period incurred. No costs are capitalized. Advertising expense was \$26,558 and \$19,353 in 2013 and 2012.

Contracts and grants receivable policies – Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

LOUISIANA SOCIETY FOR THE PREVENTION OF CRUELTY TO ANIMALS
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
December 31, 2013 and 2012

A. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND NATURE OF OPERATIONS (CONTINUED)

Reclassifications – Certain amounts in the prior-year consolidated financial statements have been reclassified for comparative purposes to conform with the presentation in the current-year consolidated financial statements.

Subsequent events and transactions have been evaluated by LASPCA for potential recognition or disclosure through April 4, 2014, the date the financial statements were available to be issued.

B. INVESTMENTS

The investment activity for the year ended December 31, 2013, is summarized as follows:

	<u>Endowment</u>	<u>Other Investments</u>	<u>Total</u>
Balance beginning of year	\$ 7,393,748	\$ 6,360,719	\$ 13,754,467
Investments purchased	63,878	48,074	111,952
Maturity/sale of investments	(238,468)	(1,179,458)	(1,417,926)
Net appreciation of investments (realized and unrealized)	959,081	(45,970)	913,111
Net change in cash and money fund accounts (including interest and dividends of \$433,121)	<u>86,677</u>	<u>250,086</u>	<u>336,763</u>
Balance end of year	<u>\$ 8,264,916</u>	<u>\$ 5,433,451</u>	<u>\$ 13,698,367</u>

There were no appropriated expenditures in 2013.

Aggregate carrying amounts by major types as of December 31, 2013, were as follows:

	<u>Endowment</u>	<u>Other Investments</u>	<u>Total</u>
Cash and money fund accounts	\$ 618,619	\$ 1,371,601	\$ 1,990,220
Equities	4,617,002	10,185	4,627,187
Mutual funds	<u>3,029,295</u>	<u>4,051,665</u>	<u>7,080,960</u>
	<u>\$ 8,264,916</u>	<u>\$ 5,433,451</u>	<u>\$ 13,698,367</u>

LOUISIANA SOCIETY FOR THE PREVENTION OF CRUELTY TO ANIMALS
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
December 31, 2013 and 2012

B. INVESTMENTS (CONTINUED)

The carrying amounts and estimated fair values of investments at December 31, 2013, were as follows (number in parentheses by description equals the quantity of securities):

	<u>Amortized Cost</u>	<u>Gross Unrealized Gains</u>	<u>Gross Unrealized Losses</u>	<u>Fair Value</u>
Unrealized gains:				
Mutual funds (14)	\$ 4,168,445	\$ 201,868	\$ -	\$ 4,370,313
Equities (207)	<u>2,704,527</u>	<u>1,495,515</u>	<u>-</u>	<u>4,200,042</u>
	<u>6,872,972</u>	<u>1,697,383</u>	<u>-</u>	<u>8,570,355</u>
Unrealized losses:				
less than 12 months:				
Mutual funds (3)	2,097,390	-	(8,022)	2,089,368
Equities (31)	<u>344,634</u>	<u>-</u>	<u>(50,404)</u>	<u>294,230</u>
	<u>2,442,024</u>	<u>-</u>	<u>(58,426)</u>	<u>2,383,598</u>
12 months or more:				
Mutual funds (6)	661,395	-	(40,116)	621,279
Equities (24)	<u>178,148</u>	<u>-</u>	<u>(45,233)</u>	<u>132,915</u>
	<u>839,543</u>	<u>-</u>	<u>(85,349)</u>	<u>754,194</u>
	<u>10,154,539</u>	<u>1,697,383</u>	<u>(143,775)</u>	<u>11,708,147</u>
Cash and money fund accounts	<u>1,990,220</u>	<u>-</u>	<u>-</u>	<u>1,990,220</u>
	<u>\$ 12,144,759</u>	<u>\$ 1,697,383</u>	<u>\$ (143,775)</u>	<u>\$ 13,698,367</u>

At December 31, 2013, management believes that no investment security with a fair value below cost was other-than-temporarily impaired because declines in values were considered due to interest rate and other short-term fluctuations.

LOUISIANA SOCIETY FOR THE PREVENTION OF CRUELTY TO ANIMALS
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
December 31, 2013 and 2012

B. INVESTMENTS (CONTINUED)

The investment activity for the year ended December 31, 2012, is summarized as follows:

	<u>Endowment</u>	<u>Other Investments</u>	<u>Total</u>
Balance beginning of year	\$ 6,857,235	\$ 5,844,941	\$ 12,702,176
Investments purchased	2,159,838	156,551	2,316,389
Maturity/sale of investments	(2,196,119)	(420,376)	(2,616,495)
Net depreciation of investments (realized and unrealized)	638,256	260,970	899,226
Net change in cash and money fund accounts (including interest and dividends of \$531,566)	<u>(65,462)</u>	<u>518,633</u>	<u>453,171</u>
	<u>\$ 7,393,748</u>	<u>\$ 6,360,719</u>	<u>\$ 13,754,467</u>

There were no appropriated expenditures in 2012.

Aggregate carrying amounts by major types as of December 31, 2012, were as follows:

	<u>Endowment</u>	<u>Other Investments</u>	<u>Total</u>
Cash and money fund accounts	\$ 531,944	\$ 1,121,516	\$ 1,653,460
Equities	4,061,514	10,185	4,071,699
Mutual funds	<u>2,800,290</u>	<u>5,229,018</u>	<u>8,029,308</u>
	<u>\$ 7,393,748</u>	<u>\$ 6,360,719</u>	<u>\$ 13,754,467</u>

LOUISIANA SOCIETY FOR THE PREVENTION OF CRUELTY TO ANIMALS
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
December 31, 2013 and 2012

B. INVESTMENTS (CONTINUED)

The carrying amounts and estimated fair values of investments at December 31, 2012, were as follows (number in parentheses by description equals the quantity of securities):

	<u>Amortized Cost</u>	<u>Gross Unrealized Gains</u>	<u>Gross Unrealized Losses</u>	<u>Fair Value</u>
Unrealized gains:				
Mutual funds (18)	\$ 7,169,161	\$ 297,663	\$ -	\$ 7,466,824
Equities (199)	<u>2,461,334</u>	<u>828,156</u>	<u>-</u>	<u>3,289,490</u>
	<u>9,630,495</u>	<u>1,125,819</u>	<u>-</u>	<u>10,756,314</u>
Unrealized losses:				
less than 12 months:				
Mutual funds (2)	369,515	-	(1,552)	367,963
Equities (29)	<u>427,107</u>	<u>-</u>	<u>(49,954)</u>	<u>377,153</u>
	<u>796,622</u>	<u>-</u>	<u>(51,506)</u>	<u>745,116</u>
12 months or more:				
Mutual funds (4)	213,183	-	(18,663)	194,520
Equities (43)	<u>478,108</u>	<u>-</u>	<u>(73,051)</u>	<u>405,057</u>
	<u>691,291</u>	<u>-</u>	<u>(91,714)</u>	<u>599,577</u>
	<u>11,118,408</u>	<u>1,125,819</u>	<u>(143,220)</u>	<u>12,101,007</u>
Cash and money fund accounts	<u>1,653,460</u>	<u>-</u>	<u>-</u>	<u>1,653,460</u>
	<u>\$ 12,771,868</u>	<u>\$ 1,125,819</u>	<u>\$ (143,220)</u>	<u>\$ 13,754,467</u>

C. ENDOWMENT FUND

In 1987, the Board of Directors approved the establishment of discretionary trusts for the preservation and management of such specific funds received by LASPCA. These funds are currently being administered by investment management through Crescent Capital Consulting, LLC and Charles Schwab Institutional. A resolution of the Board of Directors limits the use of endowment funds, but allows funds to be used for operating purposes, with approval of the Board of Directors. These assets are unrestricted. The resolutions of the Board of Directors are voluntary, self-imposed limits; therefore, the income is recorded in LASPCA's other operating revenue. These assets are presented on the consolidated statement of financial position as unrestricted Board designated net assets.

LOUISIANA SOCIETY FOR THE PREVENTION OF CRUELTY TO ANIMALS
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
December 31, 2013 and 2012

C. ENDOWMENT FUND (CONTINUED)

Endowment Investment Spending Policies – LASPCA’s investment spending policy is that all income earned on the Board designated endowment fund is to be reinvested and used for operating purposes, with the approval of the Board of Directors.

Endowment Investment Policies – LASPCA’s investment policy is that all endowed funds will be maintained and managed by management within their investment pool and in accordance with their investment policies that attempt to provide a predictable stream of funding to programs supported by its endowment while seeking to maintain the purchasing power of these endowment assets over the long-term.

D. PROMISES TO GIVE

Unconditional promises to give consisted of the following at December 31:

	<u>2013</u>	<u>2012</u>
Amounts due in less than one year	\$ 224,372	\$ 170,920
Amounts due in one to five years	489,330	24,197
Amounts due in greater than five years	<u>-</u>	<u>-</u>
Total unconditional promises to give	713,702	195,117
Less allowance for uncollectible pledges	-	(16,000)
Less discount to net present value	<u>(30,216)</u>	<u>(1,539)</u>
Net unconditional promises to give	<u>\$ 683,486</u>	<u>\$ 177,578</u>

Included in the accompanying statement of financial position under the following captions:

Current unconditional promises to give, net	\$ 224,372	\$ 154,920
Non-current unconditional promises to give, net	<u>459,114</u>	<u>22,658</u>
	<u>\$ 683,486</u>	<u>\$ 177,578</u>

The discount rate used on long-term promises to give was 4.25% at December 31, 2013 and 2012.

LASPCA has received an unconditional, unrestricted, multiple year pledge in perpetuity of only the income from a \$200,000 bequest from an estate to The Greater New Orleans Foundation. The fair value of this income cannot be reasonably estimated as it is under the control of The Greater New Orleans Foundation, which is an unrelated non-profit organization. As such, this pledge is not included in the above total.

LOUISIANA SOCIETY FOR THE PREVENTION OF CRUELTY TO ANIMALS
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
December 31, 2013 and 2012

E. TEMPORARILY RESTRICTED NET ASSETS

Temporarily restricted net assets were available for the following purposes at December 31:

	<u>2013</u>	<u>2012</u>
Building – restricted	\$ 5,620,101	\$ 7,660,100
Rabies tag program	105,776	-
Other – various	<u>1,749,441</u>	<u>317,173</u>
	<u>\$ 7,475,318</u>	<u>\$ 7,977,273</u>

Included in “other” are individually temporarily restricted items ranging from approximately \$400 to \$29,000 at December 31, 2013 and \$1,000 to \$60,000 at December 31, 2012.

F. RELEASE OF TEMPORARILY RESTRICTED NET ASSETS

Net assets were released from donor restrictions by incurring expenses satisfying the restricted purposes. Purpose restrictions accomplished were \$2,050,201 and \$305,877 in 2013 and 2012.

G. RETIREMENT PLAN

LASPCA has a 401(k) type profit sharing plan for all eligible employees. Employees are eligible to participate in the plan if they have been employed by LASPCA for one year. LASPCA will make matching contributions in an amount equal to 50% of such contributing participant’s elective deferral which does not exceed 6% of the participant’s compensation. Employer contributions for 2013 and 2012 were \$17,131 and \$19,239.

H. RELATED PARTY TRANSACTIONS

In 2013, LASPCA maintained cash accounts with a financial institution which employed a Board member.

I. COMMITMENTS AND CONTINGENCIES

LASPCA received 24% and 34% of its unrestricted revenue from its animal control contract with the City of New Orleans for the year ended December 31, 2013 and 2012, respectively. The effects of a significant reduction in the level of this revenue on LASPCA’s programs and activities, if this were to occur, has not been determined.

LASPCA maintained cash accounts at local banks during 2013 and 2012. The Federal Deposit Insurance Corporation provides insurance coverage under defined limits. At various times in 2013 and 2012, LASPCA had funds on deposit at these entities which were in excess of the insured amount.

LOUISIANA SOCIETY FOR THE PREVENTION OF CRUELTY TO ANIMALS
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
December 31, 2013 and 2012

J. FAIR VALUE MEASUREMENTS

LASPCA discloses the fair value of its investments in a hierarchy that prioritizes the inputs to valuation techniques used to measure the fair value. Investments are recorded at fair value on a recurring basis. Nonrecurring fair value adjustments, if any, would typically involve donated property, plant, and equipment. There were no material nonrecurring fair value adjustments in 2013 and 2012. The three levels of the fair value hierarchy are described below:

Level 1 - Quoted market prices in active markets for identical assets at the measurement date.

Level 2 - Observable inputs (market data obtained from independent sources) other than quoted prices for the asset, either directly or indirectly observable, that reflect assumptions market participants would use to price the asset based on market data obtained from sources independent of LASPCA.

Level 3 - Unobservable inputs that reflect LASPCA's own assumptions about the assumptions market participants would use to price an asset based on the best information available in the circumstances.

For assets that are measured at fair value on a recurring basis in periods after initial recognition, there were no transfers between Level 1 and 2, or transfers into and out of Level 3 in 2012 or 2013. If such transfers were to occur, they would be recognized as of the actual date of the event.

LASPCA's measurements of fair value are made on a recurring basis, and their valuation techniques (no changes in 2012 or 2013) for assets and liabilities recorded at fair value are as follows:

Investments – The fair value of investments is the market value based on quoted market prices, when available (Level 1), or market prices provided by recognized broker dealers (Level 2 using a market approach). If listed prices or quoted market prices are not available, fair value is based upon externally developed models that use unobservable inputs due to the limited market activity of the investment (Level 3 using a market approach).

Unconditional promises to give – The fair value of contributions is equal to the carrying value for contributions expected to be collected within one year. Contributions expected to be collected in future periods are discounted to present value based on management's assumptions (Level 3 using a market approach).

The preceding method described may produce a fair value calculation that may not be indicative of the net realizable value or reflective of future fair values. Furthermore, although the LASPCA believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting date.

LOUISIANA SOCIETY FOR THE PREVENTION OF CRUELTY TO ANIMALS
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
December 31, 2013 and 2012

J. FAIR VALUE MEASUREMENTS (CONTINUED)

The valuation of LASPCA's assets that are measured at fair value on a recurring basis at December 31, 2013, were as follows:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Fair Value</u>
Unconditional promises to give	\$ -	\$ -	\$ 683,486	\$ 683,486
Endowment Fund:				
Cash and money fund accounts	618,619	-	-	618,619
Equities	4,617,002	-	-	4,617,002
Mutual funds	3,029,295	-	-	3,029,295
Other investments:				
Cash and money fund accounts	1,371,601	-	-	1,371,601
Equities	10,185	-	-	10,185
Mutual funds	<u>4,051,665</u>	<u>-</u>	<u>-</u>	<u>4,051,665</u>
	<u>\$ 13,698,367</u>	<u>\$ -</u>	<u>\$ 683,486</u>	<u>\$ 14,381,853</u>

Quantitative information about Level 3 fair value measurements at December 31, 2013 includes the following. The valuation technique is the present value of estimated future cash flows using a discount rate (estimated at 4.25% at December 31, 2013) commensurate with the risks involved. An increase or decrease in the discount rate in isolation would result in a lower or higher fair value measurement. Additionally, management provides for probable uncollectible pledges through adjustments to valuation allowances. Amounts written off for individual uncollectible pledges ranged from \$1,413 to \$60,500 in 2013. The changes in unconditional promises to give measured at fair value for which LASPCA has used Level 3 inputs to determine fair value as of December 31, 2013 is as follows:

	<u>Unconditional promises to give</u>
Beginning balance	\$ 177,578
Cash receipts	(100,541)
Increase in discount, net	(28,677)
New pledges	770,000
Bad debt expense	(134,874)
Net transfers into Level 3	-
Net transfers out of Level 3	<u>-</u>
Ending balance	<u>\$ 683,486</u>

LOUISIANA SOCIETY FOR THE PREVENTION OF CRUELTY TO ANIMALS
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
December 31, 2013 and 2012

J. FAIR VALUE MEASUREMENTS (CONTINUED)

The valuation of LASPCA's assets that are measured at fair value on a recurring basis at December 31, 2012, were as follows:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Fair Value</u>
Unconditional promises to give	\$ -	\$ -	\$ 177,578	\$ 177,578
Endowment Fund:				
Cash and money fund accounts	531,943	-	-	531,943
Equities	4,061,515	-	-	4,061,515
Mutual funds	2,800,290	-	-	2,800,290
Other investments:				
Cash and money fund accounts	1,121,517	-	-	1,121,517
Equities	10,185	-	-	10,185
Mutual funds	<u>5,229,017</u>	<u>-</u>	<u>-</u>	<u>5,229,017</u>
	<u>\$ 13,754,467</u>	<u>\$ -</u>	<u>\$ 177,578</u>	<u>\$ 13,932,045</u>

The changes in unconditional promises to give measured at fair value for which LASPCA has used Level 3 inputs to determine fair value as of December 31, 2012 as follows:

	<u>Unconditional promises to give</u>
Beginning balance	\$ 180,906
Cash receipts	(5,204)
Decrease in discount, net	1,876
Net transfers into Level 3	-
Net transfers out of Level 3	-
Ending balance	<u>\$ 177,578</u>

K. NON-CURRENT ASSETS HELD FOR SALE

	<u>2013</u>	<u>2012</u>
Japonica land	\$ 45,000	\$ -
Land and buildings	<u>1,095,000</u>	<u>-</u>
Total	<u>\$ 1,140,000</u>	<u>\$ -</u>

In 2013, LASPCA received a donation of five properties (one sold in 2013) located in the City of New Orleans. The LASPCA intends to sell these properties as soon as possible. The Japonica land has been vacant since 2005 and LASPCA has determined it is no longer needed for operations and fully intends to sell the property.

**INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL
REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON
AN AUDIT OF FINANCIAL STATEMENTS PERFORMED
IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS***

**To the Board of Directors
Louisiana Society for the Prevention of Cruelty to Animals
New Orleans, Louisiana**

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the consolidated financial statements of Louisiana Society for the Prevention of Cruelty to Animals, LA/SPCA Holding, LLC, and Louisiana SPCA Foundation, Inc. (collectively "LASPCA") (a nonprofit organization), which comprise the consolidated statement of financial position as of December 31, 2013, and the related consolidated statements of activities, statements functional expenses, and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated April 4, 2014.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered LASPCA's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of LASPCA's internal control. Accordingly, we do not express an opinion on the effectiveness of LASPCA's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in the accompanying schedule of findings and questioned costs, we identified a deficiency in internal control that we consider to be a material weakness.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. We consider the deficiency described in the accompanying schedule of findings and questioned costs to be a material weakness, 2013-01.

A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether LASPCA's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

LASPCA Organization's Response to Findings

LASPCA's response to the finding identified in our audit is described in the accompanying schedule of findings and questioned costs. LASPCA's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of LASPCA's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering LASPCA's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Cam, Rugg & Ingram, L.L.C.

Metairie, Louisiana
April 4, 2014

**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR
PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE
REQUIRED BY OMB CIRCULAR A-133**

**To the Board of Directors
Louisiana Society for the Prevention of Cruelty to Animals
New Orleans, Louisiana**

Report on Compliance for Each Major Federal Program

We have audited Louisiana Society for the Prevention of Cruelty to Animals (the "LASPCA") compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of LASPCA's major federal programs for the year ended December 31, 2013. LASPCA's major federal program is identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of LASPCA's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about LASPCA's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of LASPCA's compliance.

Opinion on Each Major Federal Program

In our opinion, LASPCA complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended December 31, 2013.

Report on Internal Control Over Compliance

Management of the LASPCA is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered LASPCA's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the LASPCA's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

Cam, Riggs & Ingram, LLC.

Metairie, Louisiana
April 4, 2014

LOUISIANA SOCIETY FOR THE PREVENTION OF CRUELTY TO ANIMALS
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Year Ended December 31, 2013

<u>DESCRIPTION</u>	<u>CFDA NUMBER</u>	<u>GRANT NUMBER</u>	<u>TOTAL GRANT AWARD</u>	<u>FEDERAL EXPENDITURES</u>
DEPARTMENT OF HOMELAND SECURITY				
Pass through the State of Louisiana:				
Governor's Office of Homeland Security and Emergency	97.036	1603-DR-LA	\$ 7,965,166	<u>\$ 963,390</u>
TOTAL DEPARTMENT OF HOMELAND SECURITY				<u>963,390</u>
TOTAL FEDERAL FINANCIAL ASSISTANCE				<u><u>\$ 963,390</u></u>

The accompanying notes to Schedule of Expenditures of Federal Awards are an integral part of this schedule.

LOUISIANA SOCIETY FOR THE PREVENTION OF CRUELTY TO ANIMALS
NOTE TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Year Ended December 31, 2013

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

BASIS OF PRESENTATION - The accompanying Schedule of Expenditures of Federal Awards has been prepared on the accrual basis of accounting. Grant revenues are recorded for financial reporting purposes when LASPCA has met the qualifications for the respective grants.

LOUISIANA SOCIETY FOR THE PREVENTION OF CRUELTY TO ANIMALS
SUMMARY SCHEDULE OF FINDINGS
For the Year Ended December 31, 2013

A. SUMMARY OF AUDIT RESULTS

Financial Statements

- | | |
|---|------------|
| 1. Type of auditor's report issued | Unmodified |
| 2. Internal control over financial reporting | |
| a. Material weakness identified | Yes |
| b. Significant deficiencies identified not considered to be material weaknesses | No |
| c. Noncompliance material to the financial statements noted | No |

Federal Awards

- | | |
|--|------------------------|
| 3. Internal control over major programs | |
| a. Material weakness identified | No |
| b. Significant deficiencies identified not considered to be material weaknesses | No |
| 4. Type of auditor's report issued on compliance for each major fund | Unmodified |
| 5. Audit findings disclosed that are required to be reported in accordance with section 501(a) of OMB Circular A-133 | No |
| 6. Identification of major program | CFDA
Number |
| Disaster Grants – Public Assistance | 97.036 |
| 7. Dollar threshold used to distinguish between Type A and B programs | \$300,000 |
| 8. Auditee qualified as a low-risk auditee | Yes |

B. FINDINGS RELATED TO THE FINANCIAL STATEMENTS

2013-01 ACCRUAL ACCOUNTING

Classification: Material Weakness

Criteria: In accordance with Generally Accepted Accounting Principles, all revenues should be recognized when earned regardless of timing of related cash flows.

Condition: We noted the LASPCA did not record a receivable owed to them from the Disaster Grants-Public Assistance Program after expenditures had been spent during the 2013 fiscal year.

LOUISIANA SOCIETY FOR THE PREVENTION OF CRUELTY TO ANIMALS
SUMMARY SCHEDULE OF FINDINGS
For the Year Ended December 31, 2013

Condition: The accounting error primarily occurred since the reimbursement request has not been submitted.

Effect: Accounts receivable was materially misstated.

C. FINDINGS AND QUESTIONED COSTS RELATED TO MAJOR FEDERAL AWARD PROGRAMS

N/A

LOUISIANA SOCIETY FOR THE PREVENTION OF CRUELTY TO ANIMALS
SUMMARY SCHEDULE OF PRIOR YEAR FINDINGS
For the Year Ended December 31, 2013

SECTION I – FINDINGS RELATED TO THE FINANCIAL STATEMENTS

MATERIAL WEAKNESS

2012-01 – Assistance in drafting consolidated financial statements. Resolved.

**SECTION II – FINDINGS AND QUESTIONED COSTS RELATED TO MAJOR FEDERAL
AWARD PROGRAMS**

N/A

SECTION III – MANAGEMENT LETTER

N/A

LOUISIANA SOCIETY FOR THE PREVENTION OF CRUELTY TO ANIMALS
CORRECTIVE ACTION PLAN
For the Year Ended December 31, 2013

FINDING 2013-01

Management's Response:

The material weakness in the 2013 audit involved a transaction that was unique to the Organization's operations. During 2013, LASPCA began construction on a facility which was subject to partial reimbursements under a FEMA settlement. Approximately \$963,390 of reimbursable costs were incurred in 2013, and a project worksheet summarizing the costs was submitted to the Project Manager. These costs were submitted to and approved by FEMA for reimbursement in February 2014. As a result of the timing of the approval for the transaction, no receivable was recorded in the Organization's general ledger during 2013. Management intends to implement a process into its annual close process whereby the Controller compiles all FEMA-approved project worksheets for this construction job and records a receivable for any amounts not yet collected. The CFO will review this process, the amount recorded, and the underlying support. The CFO will also review the Organization's activity for other similar transactions to ensure no other unique accounting matters require further attention.